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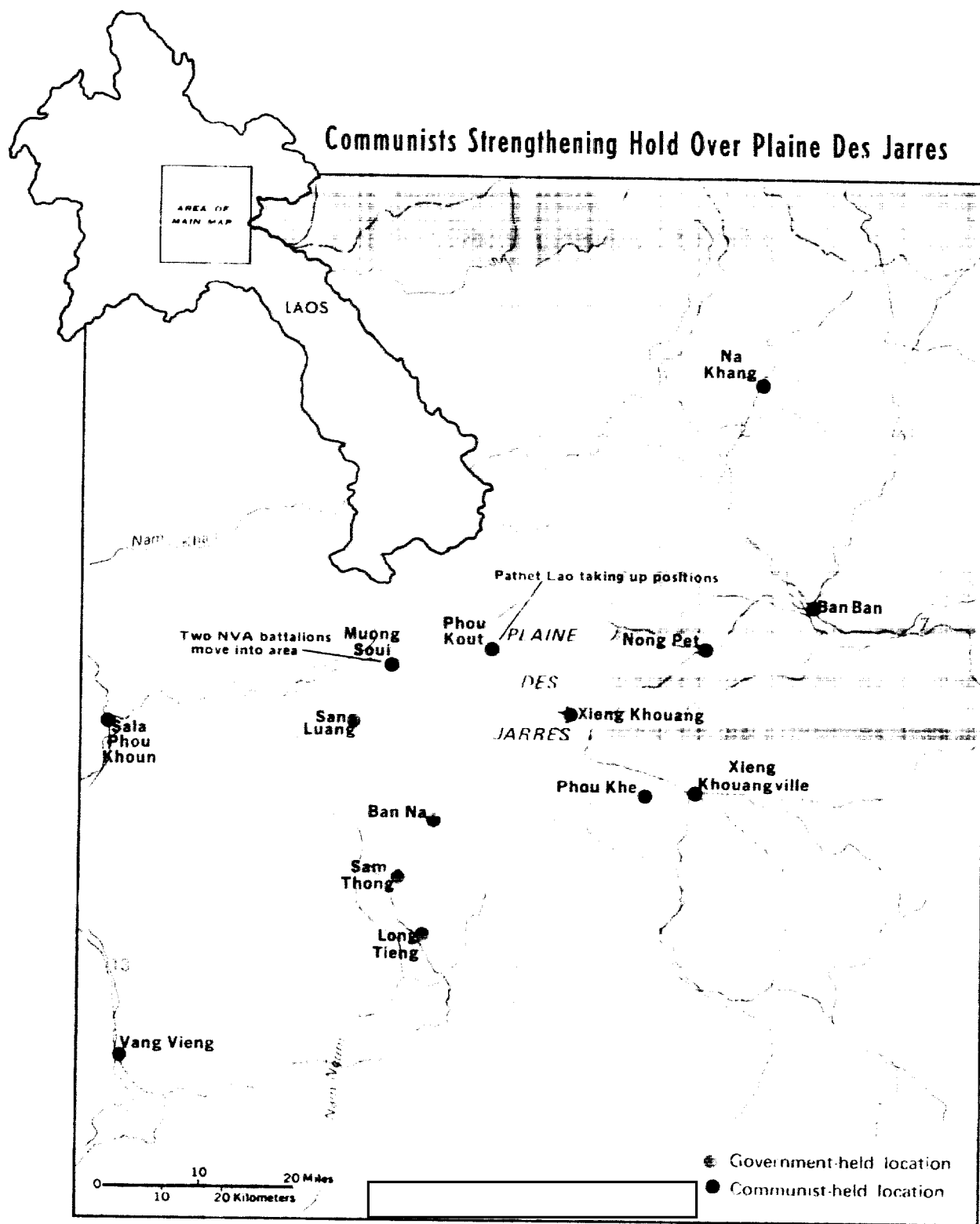
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Laos: Communist forces are strengthening their hold over the Plaine des Jarres.

On the western side of the Plaine, the Pathet Lao are taking up positions on Phou Kout, the dominant terrain feature in this area. This should permit the North Vietnamese troops presently on the mountain to proceed further west to Muong Soui.

The movement of as many as two North Vietnamese battalions into the Muong Soui area in recent days has caused the small number of government troops nearby to abandon their positions and pull back to the more strongly defended government outpost at San Luang.

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On the political front, Communist reaction to President Nixon's statement on Laos has followed a standard line. Hanoi has emphasized those portions of the statement dealing with US activities in Laos and cited the 6 March Lao Communist statement, which set forth their terms for ending the war, as the basis for a solution to the war there. North Vietnam did not directly comment on President Nixon's statement regarding consultations among the signers of the 1962 Geneva accords on Laos. There also has been no official Soviet reaction to President Nixon's statement, nor any public mention of his plea to the USSR to help restore peace in Laos. The unofficial commentary so far available has, however, been negative.

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USSR-SALT: A Pravda editorial of 7 March stated that there was still time to negotiate a strategic arms agreement despite the "threat of a new stage" in the armaments race and the dubious intentions of the US.

The editorial marked the most authoritative Soviet commentary on SALT since the talks began on 17 November and was designed in part to build a case against the US if the talks should fail or become bogged down. It warned, for example, that the US should not revive its old concept of negotiating from a "position of strength" and that neither side should use the talks as a screen to cover up a new round in the arms race. The editorial concludes on a note of optimism, however, stating that an agreement can be reached despite the difficulties involved, if both sides conduct "honest" negotiations.

25X1 The editorial is consistent with recent Soviet statements [redacted] which imply that Moscow's stance in Vienna will be influenced by US actions between the talks. A major part of this effort has been a heavy dose of commentary inveighing against US plans for expanded deployment of an ABM system. This latest comment is another measure of Moscow's concern about ABM plans in the US and an attempt to refute US justification for an antimissile system, but it stops short of setting preconditions for the Vienna talks. [redacted]

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Cambodia: The government has enacted some limited reforms to encourage economic growth, but it may be some time before these measures relieve the country's severe economic troubles.

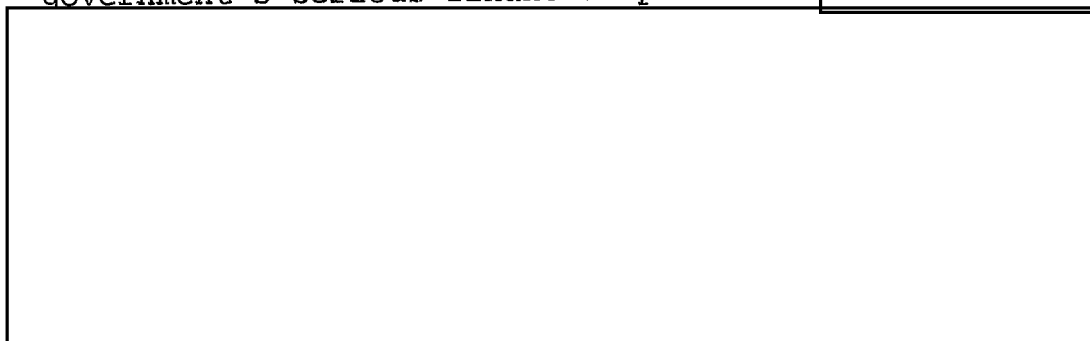
A series of laws passed in February, primarily affecting trade and banking, represent the government's initial efforts to relax extensive restrictions on the economy that resulted from Sihanouk's 1964 nationalization policies. The new laws allow businessmen to engage in a small amount of foreign trade and permit the re-establishment of foreign banks.

Private and foreign investors are likely to view the government's legislation as an encouraging step in the right direction, but they probably will not be willing to make any substantial commitments until additional measures are adopted that would make Cambodia an easier and more profitable place to do business. Private banks, for example, still will not be able to finance import-export operations or to accept deposits or extend loans of less than one-year duration. In addition, the slight enlargement of industrial opportunities opened to private capital by the new laws is not enough to counterbalance the paucity of resources, the lack of money and security markets, and other factors that have retarded industrial development in the past.

The new laws also will not aid in relieving the government's serious financial problems.

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Cyprus: The attempted assassination of President Makarios will heighten tensions within the Greek-Cypriot community. The ultraconservative, pro-Enosis national front will come under suspicion because of publicity given several of its terroristic acts during the past several months, but any of several other extremist Greek-Cypriot groups could also have been behind the act. There seems to be no link with the Turkish-Cypriot community. The attempt on his life may prompt Makarios to revive the antiterrorist campaign inaugurated last January during Makarios' absence by acting president Clerides. Success in this will depend on the degree to which he can count on the undivided loyalty of the security and military forces he wishes to use against the extremists. [REDACTED]

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Guatemala: The exchange of two government prisoners for the US Embassy official who was kidnaped by Communist terrorists took place yesterday. A wealthy Guatemalan lawyer was also kidnaped on 6 March in what appears to be a strictly fund-raising operation by the Communists. The security situation remains poor, but partisan strains connected with the election period eased significantly following public acknowledgment by the government's presidential candidate that rightist standard-bearer Colonel Carlos Arana was the victor in the elections of 1 March. Arana must still face a vote in Congress, however, and in any event would not take office until July. [REDACTED]

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